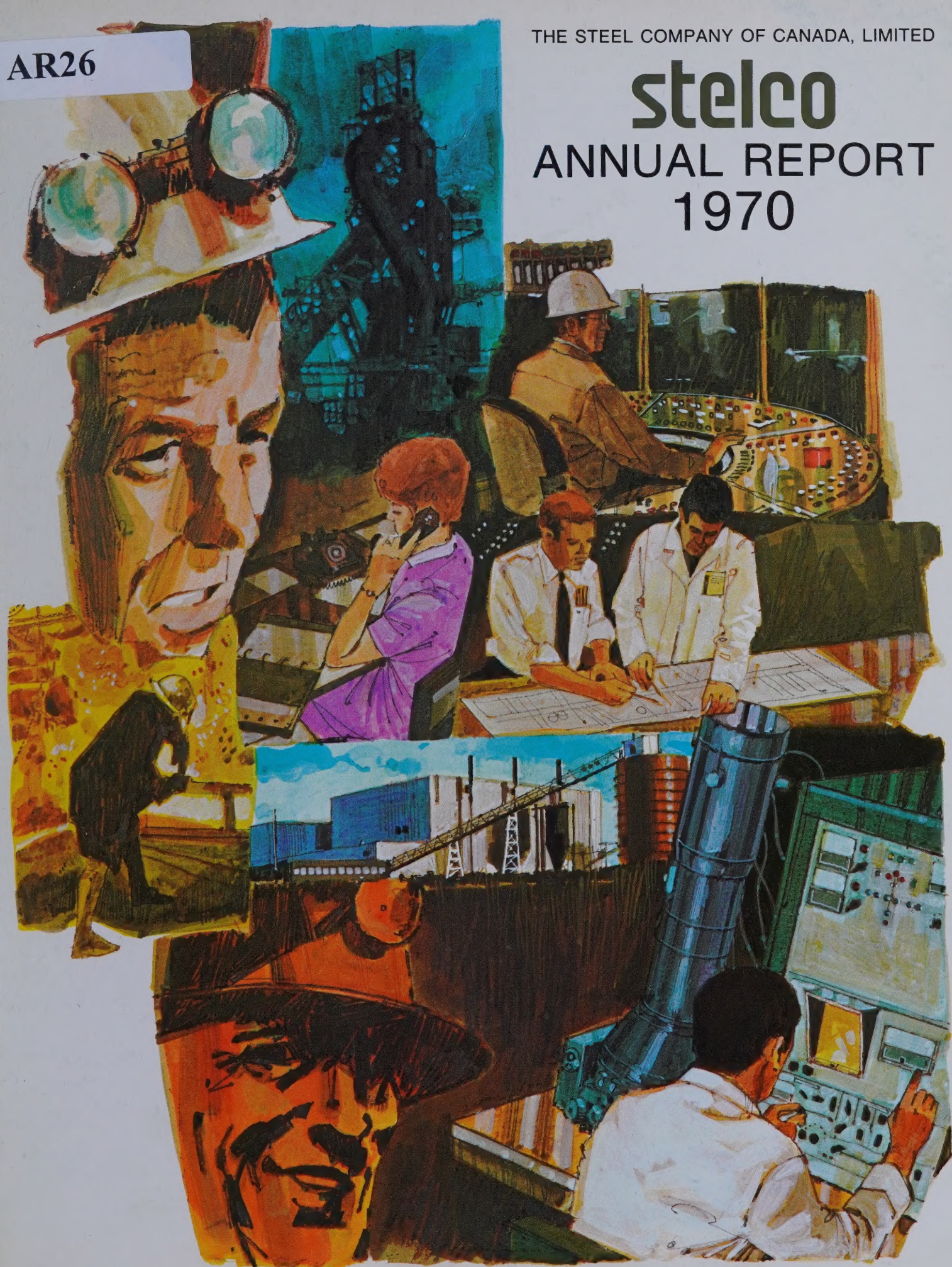


AR26

THE STEEL COMPANY OF CANADA, LIMITED

stelco

ANNUAL REPORT 1970



This Annual Report features Stelco people at work and illustrates some of the many different occupations which comprise the Stelco organization. Within this coordinated community of knowledge and skills, individual excellence and effective organization are the keys to success for which the Company strives at all times.



SIXTY-FIRST ANNUAL REPORT

for the year ended December 31, 1970

THE STEEL COMPANY OF CANADA, LIMITED

Toronto, Ontario

ANNUAL MEETING

The Annual Meeting of the Shareholders of the Company will be held at the Cinema Theatre in the Concourse of the Toronto-Dominion Centre, Bay Street Entrance, in Toronto, at 10:30 a.m., Eastern standard time, on Monday, April 19, 1971.

TRANSFER AGENT

MONTREAL TRUST COMPANY

Toronto, Montreal, Halifax,
Winnipeg, Regina, Edmonton, Vancouver

REGISTRAR

THE ROYAL TRUST COMPANY

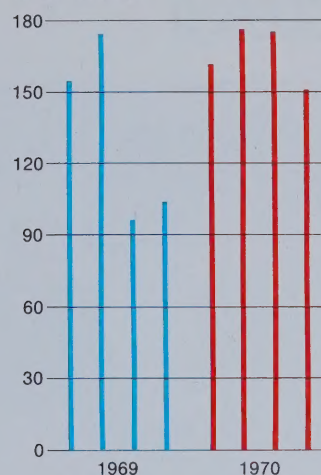
Toronto, Montreal, Halifax,
Winnipeg, Regina, Edmonton, Vancouver

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Properties and Associated Companies

Pour obtenir un exemplaire de la version française de ce rapport, veuillez écrire au secrétaire, The Steel Company of Canada, Limited, P.O. Box 205, Toronto-Dominion Centre, Toronto 111, Ontario.

Millions of Dollars



Sales by Quarters

The Year in Brief

	1970	1969
Sales	\$663,202,000	\$528,037,000
Net profit	\$ 55,976,000	\$ 31,070,000
Per cent of sales	8.4%	5.9%
Per share	\$2.30	\$1.28
Dividends declared	\$ 29,202,000	\$ 29,201,000
Per share	\$1.20	\$1.20
New investment — plants and raw material properties	\$ 89,471,000	\$ 33,344,000
Depreciation	\$ 37,466,000	\$ 33,415,000
Materials and services bought and used	\$309,435,000	\$253,998,000
Total employment costs	\$221,216,000	\$176,223,000
Working capital, year end	\$209,009,000	\$176,510,000
Raw steel produced — net tons	4,801,000	3,670,000
Average number of employees	21,497	21,792
Number of shareholders, year end	49,985	51,730
Number of shares outstanding, year end	24,335,347	24,335,347



*N. J. Brown, Vice-President and Comptroller;
A. R. McMurrich, Vice-President, Marketing;
H. J. Clawson, Vice-President, Personnel.*



*R. B. Taylor, Vice-President and Treasurer;
J. P. Gordon, Senior Vice-President; G. H. G. Layt,
Vice-President, Operating; A. D. Fisher, Vice-President,
Facilities Planning, Engineering and Research.*

DIRECTORS

- * W. Herman Browne, Toronto
Chairman of the Board, Moore Corporation, Limited
- * Alistair M. Campbell, Montreal
Chairman and Chief Executive Officer, Sun Life Assurance Company of Canada
- * J. Douglas Gibson, O.B.E., Toronto
Financial and Economic Consultant
- J. Peter Gordon, Toronto
Senior Vice-President of the Company
- J. Roy Gordon, New York
Industrialist
- * Allan Graydon, Q.C., Toronto
Counsel, Messrs. Blake, Cassels & Graydon, Barristers & Solicitors
- * H. M. Griffith, Toronto
President and Chief Executive Officer of the Company
- Senator The Hon. Ernest C. Manning, P.C., C.C., Edmonton
President, M & M Systems Research Ltd.
- Frederick C. Mannix, Calgary
Director, Loram Ltd.
- * D. R. McMaster, Q.C., Montreal
Partner, Messrs. McMaster, Meighen, Minnion, Patch & Cordeau,
Barristers & Solicitors
- Lucien G. Rolland, Montreal
President and General Manager, Rolland Paper Company, Limited
- * V. W. Scully, C.M.G., Toronto
Chairman of the Board of the Company
- H. Greville Smith, C.B.E., Montreal
President, Canadian International Investment Trust Limited
- Henry G. Thode, C.C., Ph.D., F.R.S., Hamilton
President and Vice-Chancellor, McMaster University
- William H. Young, Hamilton
President, The Hamilton Group Limited
- * Member of the Executive Committee

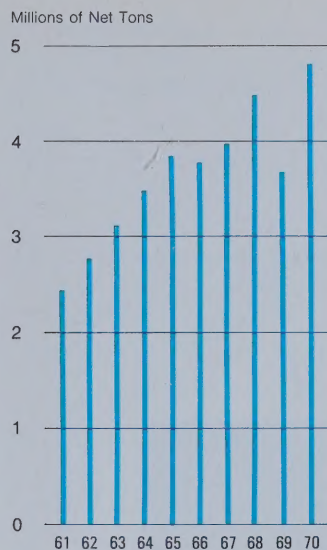
EXECUTIVE OFFICERS

- V. W. Scully
Chairman of the Board
- H. M. Griffith
President and Chief Executive Officer
- J. P. Gordon
Senior Vice-President
- H. J. Clawson
Vice-President, Personnel
- N. J. Brown
Vice-President and Comptroller
- R. B. Taylor
Vice-President and Treasurer
- A. D. Fisher
Vice-President, Facilities Planning,
Engineering and Research
- A. R. McMurrich
Vice-President, Marketing
- G. H. G. Layt
Vice-President, Operating
- J. W. Younger, Q.C.
Secretary and General Counsel

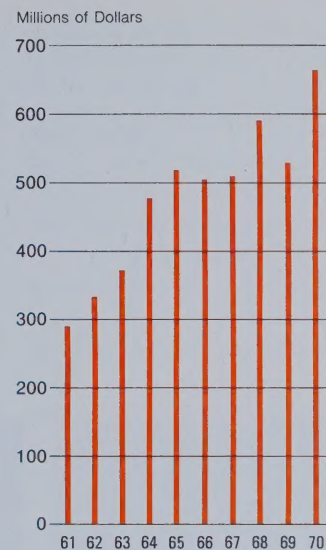
VICE-PRESIDENTS

- J. D. Allan
Corporate Planning
- L. H. Doering
Eastern Region
- A. J. Harris
Manufacturing
- R. H. Macdonald
Sales
- S. W. McDermott
Manufacturing
- A. R. Oliver
Procurement

DIRECTORS' REPORT



Raw Steel Produced, 1961-1970



Sales, 1961-1970

To the Shareholders of THE STEEL COMPANY OF CANADA, LIMITED:

The Board of Directors submits herewith the Annual Report of your Company and its subsidiaries, together with the consolidated statement of financial position and related financial statements for the year ended December 31, 1970, and the report of your auditors.

The demand for steel remained at a relatively high level for most of the year. In the early months, the backlog of orders arising from the prolonged steel strikes in 1969 helped to keep Canadian mills operating at capacity, and while in the later months there was some easing of demand, Canadian steel production for the year rose to a new peak of 12,154,000 tons.

Stelco also set a new record for steel production and accounted for about 40% of total Canadian output, a proportion that with only minor variations has been maintained for several years. Sales revenues were the highest in the Company's history. Net earnings, while showing an improvement over the results in 1969 — a strike year — were below the profit earned in 1968. Substantial increases in almost all elements of manufacturing costs — wages, raw materials, supplies and services — were mainly responsible for the fact that a better level of earnings was not attained.

PRODUCTION AND SALES

Production of raw steel amounted to 4,801,000 tons compared with 3,670,000 tons in 1969 and was 7% higher than the previous record of 4,485,000 tons produced in 1968. The increase was achieved without additional steelmaking facilities, and although some purchases of semi-finished steel were needed to satisfy the heavy demand, these were on a lower scale than in 1969. Most of the mills and fabricating plants operated at high rates throughout the year and a number of new departmental records were established. However, a strike in the automotive industry and uncertain conditions in other steel-using industries made it necessary to reduce the rate of operations in some departments. The demand for large-diameter pipe sustained a higher level of operations at the pipe mills than in the previous year.

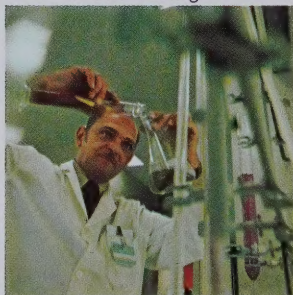
Sales rose to \$663,202,000 from \$528,037,000 in 1969, and were 12.5% more than in 1968, the previous record year. All major product lines shared in the increase which included the effect of a larger volume of shipments as well as increased selling prices. Export sales advanced sharply after the enforced cutbacks in 1969, and shipments to overseas countries were greater than in any prior year. However, the higher exchange rate for the Canadian dollar has intensified competition in export markets served by Canadian producers.



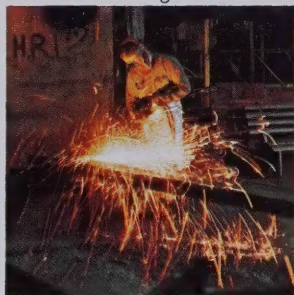
Product advertising



Cost accounting



Research



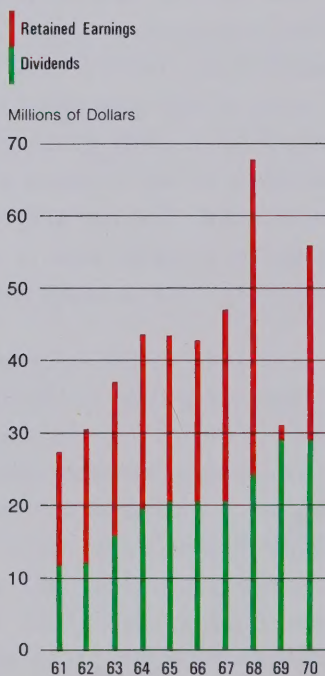
Product quality control

PROFITS

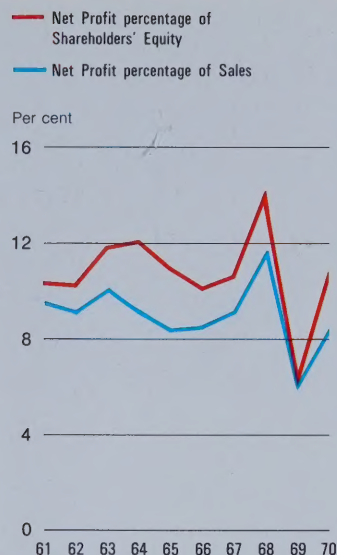
Net profit for the year was \$55,976,000 or \$2.30 a share compared with \$31,070,000 or \$1.28 a share in 1969 and \$67,971,000 or \$2.79 a share in 1968. The ratios of net profit to sales and to shareholders' equity were 8.4% and 10.7% respectively in 1970, 5.9% and 6.1% in 1969, and 11.5% and 14.1% in 1968.

Selling price increases introduced late in 1969 were an important factor contributing to earnings in 1970 but costs continued to advance and, by the end of the year, coal prices had risen by 35%, scrap prices by 30% and employment costs by 8%. The prices of many other materials and services had also risen substantially and the resulting erosion of profit margins again necessitated selling price adjustments so that the Company's earnings would not be reduced to a totally inadequate level. Accordingly, price increases were introduced in November 1970 averaging approximately 4.5%. Because of import competition, the prices of many products were not raised and some that were had subsequently to be reduced. The Company's profit margins are still not satisfactory and efforts to increase productivity and reduce unit costs are being intensified.

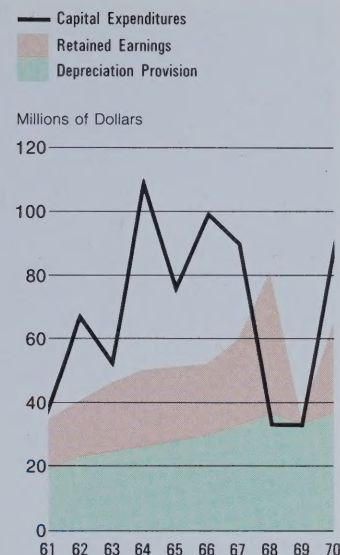
The pricing adjustments in both 1969 and 1970 were investigated by the Prices and Incomes Commission and, in the case of the 1969 changes, were found to be less than the cost increases that had occurred and to be within the guidelines to which



Net Profits and Dividends,
1961-1970



Return on Sales and Shareholders' Equity, 1961-1970



Capital Expenditures, Depreciation and Retained Earnings, 1961-1970

the Commission and the business community had jointly agreed. A report on the 1970 changes has not yet been issued but the Company is confident that similar circumstances will be acknowledged by the Commission.

DIVIDENDS

The quarterly dividend rate of 30 cents a share established in the fourth quarter of 1968 was maintained throughout the year. The total declaration of \$1.20 a share for the year amounted to \$29,202,000 compared with \$29,201,000 in 1969.

For income tax purposes, Canadian shareholders are entitled to deduct a depletion allowance of 10% from all dividends paid in 1970 and from the dividend paid February 1, 1971.

FINANCIAL

Capital expenditures for plants and mining properties totalled \$89,471,000 in 1970 compared with \$33,344,000 in 1969, the increase reflecting expanded construction programs, particularly at Hilton Works. Capital projects approved during the year amounted to \$132,571,000 and at the end of the year the amount still to be spent on approved projects was approximately \$166,000,000. The corresponding commitment at the end of 1969 was \$128,000,000.

In October the Company sold for public issue at par \$60,000,000 of twenty-year Sinking Fund Debentures, 1970 Series, bearing interest at 9¼%

per annum. The annual mandatory sinking fund requirement is \$1,500,000 on November 1 in each of the eight years 1976 to 1983, inclusive, and \$2,000,000 in each of the six years 1984 to 1989 inclusive. Underwriting discount and expenses in connection with the issue, amounting to \$972,000, will be amortized over the life of the debentures.

The Company had previously agreed with the holders of its 5½% Sinking Fund Debentures, 1965 Series due May 1, 1990, to increase the interest rate thereon to 5¾% per annum with effect from September 1, 1970, in consideration for the removal of a covenant in the indenture under which the debentures were issued. The covenant prevented the Company from issuing additional funded debt having a faster rate of mandatory retirement or earlier maturity than the 1965 Series Debentures.

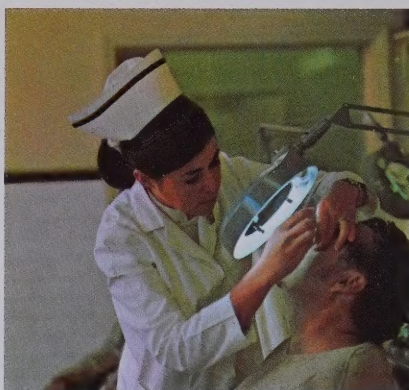
At December 31, 1970, long-term debt amounted to approximately 14% of the Company's total investment.

Working capital at December 31, 1970 was \$209,009,000 compared with \$176,510,000 at the end of 1969. Included in the additions to working capital during the year were the net proceeds from the debenture issue referred to above, amounting to \$59,028,000. These proceeds are being applied towards the cost of certain approved capital projects.

Cash and short-term investments rose from \$45,187,000 to \$65,105,000 and inventories, accounts receivable and accounts payable were



Machine shop service



First aid



Materials handling

all higher as a result of the greater volume of business and the recovery from strike-affected conditions in 1969. The ratio of current assets to current liabilities was 2.7 to 1 compared with 2.9 to 1 at the end of the prior year.

Investments in associated companies at December 31, 1970, amounted, at cost, to \$22,234,000 compared with \$21,108,000 at December 31, 1969. The increase mainly represented advances to support expanded operations.

TAXATION

In May 1970, Stelco, on its own behalf and also as a member of a three-company group of steelmakers, submitted briefs to the parliamentary committees studying the Federal Government's White Paper on Proposals for Tax Reform. Of particular concern were the proposals affecting the future development of iron ore mining and the Canadian steel industry.

Subsequently, the Minister of Finance announced that he intended to alter the original proposals for mining taxation, and it now appears that the incentives that have existed for many years may not be reduced as drastically as the White Paper had suggested. However, the cooperation of the provinces is also needed to ensure that the concessions made by the Federal Government are not aborted.

As with other companies, the tax structure is important to Stelco, both directly as it affects earnings and indirectly as it affects savings available to the Company. It is to be hoped that the Government of

Canada, before introducing basic changes in the tax system, will take a fresh look at the underlying needs of the country, with particular emphasis on the savings requirements for a satisfactory rate of economic growth.

Stelco welcomes changes made in both Federal and Ontario tax laws during the year which provided incentives for the installation of air and water quality control facilities. The removal of the 5% Ontario sales tax from certain types of production equipment was also of assistance in relieving the pressure on business costs.

PLANTS

While no new large-scale expansion projects were scheduled for completion in 1970, good progress was made on the major installations included in the current program to raise the annual steelmaking and processing capacity of Hilton Works from 4,750,000 to 6,000,000 tons. These include:

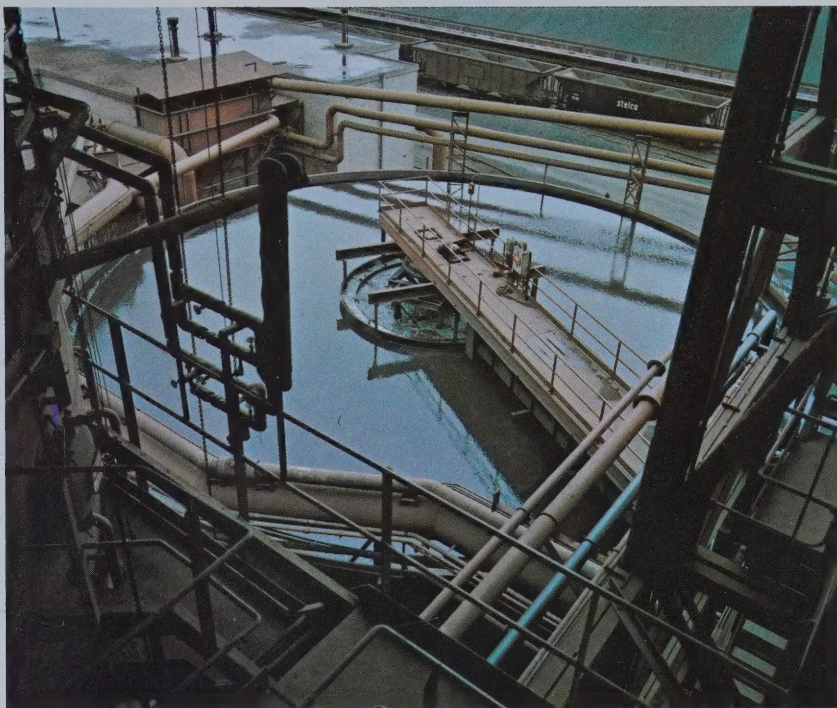
- a three-furnace basic oxygen steelmaking shop
- an additional bloom and billet mill
- a third tinning line
- an additional battery of 83 coke ovens

All of these facilities are expected to be in operation in 1972.

Progress was also satisfactory on other projects required to support the expansion at Hilton Works and on installations and changes to further improve control of air and water quality. These include a

WATER QUALITY CONTROL.

Filtration systems similar to the 75' diameter Thickener pictured here are in use with all Stelco's blast furnaces. Suspended solids are removed from the furnace-gas wash water, which is then recirculated. The recovered solids are used in the sintering process.



AIR QUALITY CONTROL.

Used gases from the direct reduction plant at Hilton Works are filtered in this "bag house". Particulate matter is trapped in cloth bags in a process resembling the operation of a vacuum cleaner.

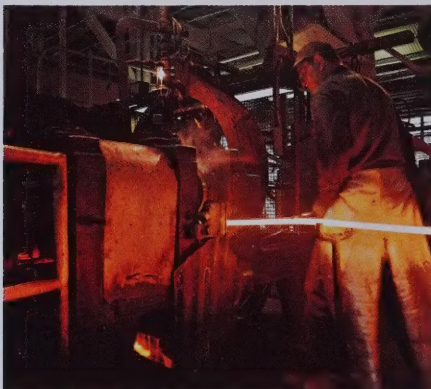




Engineering design



Track maintenance



Spike forming

new sanitary sewer system, additional acid regeneration equipment, a waste oil treatment plant and another precipitator in No. 3 open hearth department.

At Parkdale, Brantford and Swansea Works new equipment was installed to increase production capacity for various types of wire and fastener products including automotive bolts, for which there is a growing demand.

At Frost Works, equipment has been installed to apply vinyl coatings to fence wire and a new department for the fabrication of residential steel siding from pre-painted coils is now in operation.

Other projects in hand at the fabricating plants include additional wire cleaning facilities at Park-

dale Works and improvements to the bar mill at Edmonton Steel Works to increase productivity and reduce costs.

Lake Erie Development

As previously announced, construction at Lake Erie has been deferred pending completion of the expansion program at Hilton Works. However, planning and design studies are being continued to develop a definitive long-range plan for the creation of a fully integrated steel plant on the Lake Erie site.

RAW MATERIALS

North American steelmakers, including Stelco, were faced with severe problems of coal supply in 1970. Unauthorized work stoppages occurred sporadically throughout the coal industry in the United States, resulting in significant production losses. Heavy purchases of metallurgical coal by Japanese and European interests further restricted available supplies. The combination of these factors led to a sharp increase in the cost and the market price of coking coal.

As the shortage of coal from traditional areas developed, the Company looked to sources in Western Canada and arranged for trial shipments. However, technical problems impaired the ability of the mine to produce coal in the specified quantity and quality.

Subsequently, there has been some easing in supply and demand and arrangements have been



CORPORATE IDENTITY. A colour-coded system is being used to identify all Stelco mill buildings, offices and vehicles according to their individual functions. These pictures illustrate the new colours being introduced at Hilton Works.





Telephone communications



Electrical maintenance



In 1970, for the first time, a Stelco open hearth furnace produced 1,000,000 tons of steel ingots in a year. No. 35 furnace, probably the most productive unit of its kind in the free world, achieved the record-breaking tonnage just hours before the year end.

completed for the procurement of the Company's 1971 coking coal needs from normal sources in the United States.

To ensure the continuing availability of coal to support future steelmaking operations, Stelco is increasing its investment in coal properties. To this end, a new mine, to be known as the Madison Mine, is being developed in West Virginia. This mine will have an annual production capacity of 700,000 tons of metallurgical coal, with operations scheduled to begin in the summer of 1972. Further potential coal reserves in the Eastern United States and Western Canada are being examined and some promising opportunities are being appraised.

The Company's iron ore properties operated steadily throughout 1970. Productivity continued to improve at the Griffith Mine and output was close to capacity. At Wabush Mines production was less than planned because of strikes in the construction industry which prolonged a program of converting from wet to dry grinding in the pellet plant at Pointe Noire.

The search for iron ore sources in Canada continues. Several known deposits have been examined with a view to supplementing existing mines and providing the additional iron ore needed for increased steel production. After careful study, plans to increase capacity at Wabush Mines by 50% have been suspended until the economics of

such a large-scale expansion become more favourable.

ENVIRONMENTAL CONTROL

Stelco is committed to a definite policy of doing all that is practically possible to preserve the quality of the air and water in communities where its plants are located. Capital spending programs now in hand include \$24,000,000 for environmental control equipment alone, which brings to approximately \$50,000,000 the amount spent or approved to date for this purpose. The Company is cooperating with the appropriate provincial regulatory authorities in the area of pollution control and future plant additions will incorporate the latest available equipment and procedures for the protection of the environment.

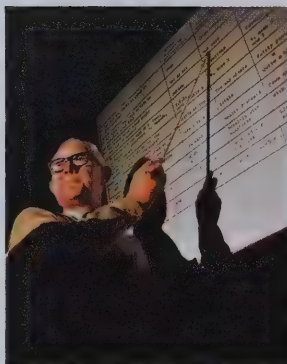
CUSTOMER SERVICE

To provide customers with fast, accurate information on order status and delivery, a computer enquiry system has been installed. Instantaneous display on a television screen of current order position and scheduled process dates can be obtained to answer urgent enquiries from customers. The new system is in operation for hot rolled sheets and will be extended to cover other product lines in the coming months.

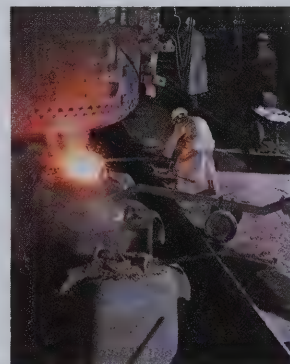
RESEARCH AND DEVELOPMENT

The Company's research activities in 1970 covered a broad range of technical studies and experimental work which included:

- Development of a new technique for hot



Training instructor



Pouring steel



Welding



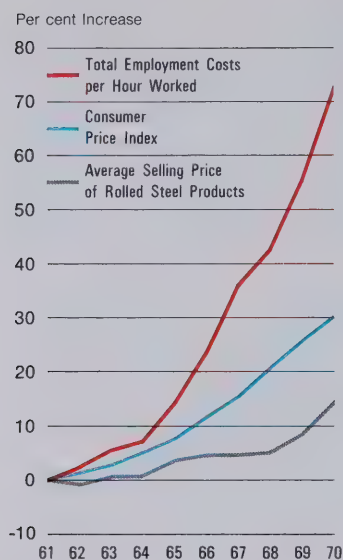
Plant security



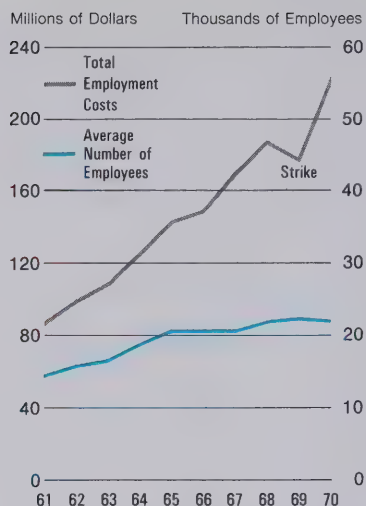
Rail transport



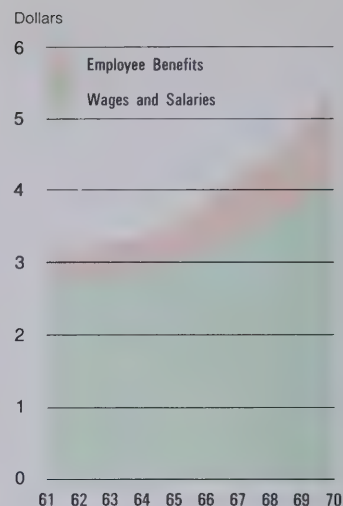
Secretarial



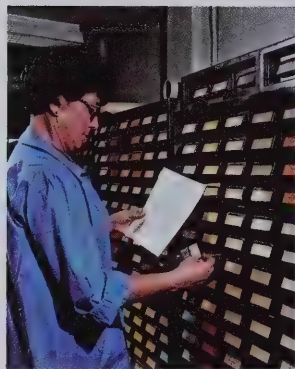
Employment Costs, Selling Prices and Consumer Price Index, Percentage Increases, 1961-1970



Total Employment Costs and Number of Employees, 1961-1970



Employment Cost per Hour Worked, 1961-1970



Records control



Law

rolling which shows promise of improving the physical properties of plate skelp without the use of expensive alloys or subsequent heat treatment.

- Development of operating practices to attain optimum blast furnace, coke oven and sinter plant performance using ore and coal from new sources.
- Examination and assessment of potential sources of raw materials and alternative methods of steelmaking and steel shaping for the Company's proposed new integrated steel plant at Lake Erie.
- Development of a new composite material consisting of plastic and steel which has good commercial potential.

A new multi-purpose processing line for various coated products was completed during the year and is operating satisfactorily at the Company's Research Centre.

COMPUTER SERVICES

In 1970 Stelco and three other major corporations agreed to participate in a Canadian company which will provide computer technology, data processing services and the application of systems technology to environmental problems. The other equal partners in the company are The T. Eaton Company Limited, London Life Insurance Company and TRW, Inc., a prominent international company with large

resources of advanced technology in electronics, space and environmental systems, and industrial fields.

The operations of the company, to be known as The Canada Systems Group (ELST) Limited, will be located in a computer centre now under construction in the Sheridan Park Research Community, near Toronto. The company's facilities will consolidate the existing computer and data processing operations of the Canadian owners and similar services will be offered to others. In addition to making available the latest computer techniques, the company will also be equipped to develop environmental systems for air and water quality control, urban development, traffic control and health and medical services.

HAMILTON GENERAL OFFICE

Construction of the Stelco Tower in the Lloyd D. Jackson Square in Hamilton was begun late in 1970 by Yale Properties Limited. Stelco will be the prime tenant in the building, transferring thereto the administrative and general office functions now being carried out in the offices attached to Hilton Works. The new building is expected to be ready for occupancy before the end of 1972.

CORPORATE IDENTITY PROGRAM

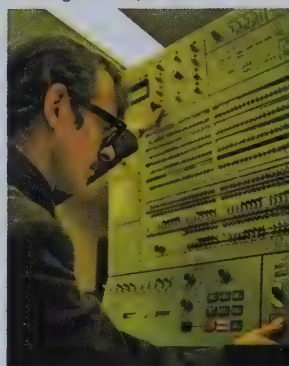
The new corporate identity program adopted in 1969 is progressing well. The revised corporate logo **stelco** has been widely established and the Company's buildings and facilities are being



Rolling mill operator



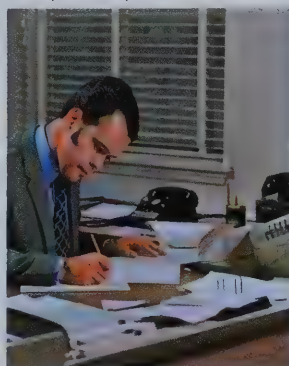
Order processing



Computer operation



Medical



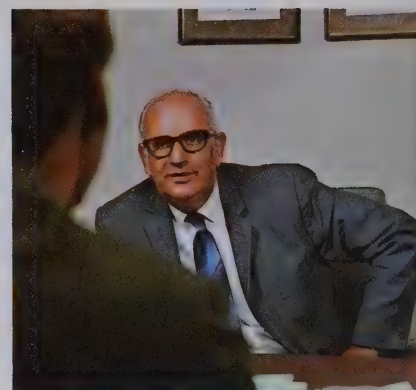
Statistical service



Bar rolling



Tin plate inspection



Recruitment

EMPLOYMENT COSTS — 1970

WAGES AND SALARIES

For time worked	\$181,399,000
For vacations and statutory holidays not worked	13,608,000
	<u>\$195,007,000</u>

SUPPLEMENTARY EMPLOYEE BENEFITS

Pension costs	\$ 13,301,000
Group insurance plans and other benefits	9,392,000
Unemployment insurance and workmen's compensation	3,516,000
	<u>\$ 26,209,000</u>

TOTAL EMPLOYMENT COSTS	<u>\$221,216,000</u>
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AVERAGE NUMBER OF EMPLOYEES	21,497
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AVERAGE PER EMPLOYEE	\$10,291
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EMPLOYEE BENEFITS

Number of pensioners at year end	2,406
Pensions paid during the year	\$5,153,000
Total life assurance in force for employees at year end	\$279,335,000
Total death benefits paid to beneficiaries during year	\$1,331,000



Coal mining



Equipment forging



Translating service

converted to conform with the adopted colour schemes as regular maintenance and construction schedules permit. Other facets of the program have been defined and codified and the anticipated results — a more dynamic company image and economies in the design and use of signs, stationery, stencils and forms — are being realized.

EMPLOYEES

Average employment in 1970 was down slightly from that of the previous year. Some decline occurred during the last quarter at Hilton Works and at several of the fabricating works as a result of the automotive strike and a lessening in the demand for certain products.

Union agreements governing the majority of hourly-rated employees at most plants will be in effect until July 31, 1972. In accordance with the provisions of these agreements, wage and benefit adjustments costing 33.8 cents per hour were implemented during the year. Union agreements negotiated in 1970 at the Company's tubular products plants located in Welland, Ontario and Camrose, Alberta, and at the Stelco Edmonton Steel Works, followed the pattern established at Hilton Works in 1969.

In keeping with the policy of maintaining a proper relationship with other industries and with the communities in which the Company operates, rates of pay for salaried employees were appropriately adjusted.

Continued emphasis on training and development resulted in the participation of over 3,600 hourly-rated and salaried employees in Company-sponsored upgrading programs, ranging from apprentice and trade and craft training to Methods Improvement, Supervisory Training, and Management Sciences courses. Employees at all levels are encouraged to participate in these programs which, for the most part, are completely paid for by the Company.

ORGANIZATION

In July 1970, Mr. R. H. Macdonald was appointed Vice-President, Product Sales, replacing Mr. K. B. MacNaughton who retired for health reasons. Mr. A. R. Oliver, the Company's General Purchasing Agent for many years, was appointed to the position of Vice-President, Procurement.

SHAREHOLDERS

The number of Stelco shareholders at December 31, 1970 was 49,985 compared with 51,730 at the end of 1969. Residents of Canada held approximately 95% of the shares outstanding. The average individual holding was 487 shares.

DIRECTORS

Provisions of The Bank Act which come into effect in 1971 restrict the number of directors of a Canadian company who can serve on a Bank Board. In compliance with these provisions Mr. Arnold



The reception area at the Company's Head Office, 38th Floor, Royal Trust Tower, Toronto-Dominion Centre, Toronto, opened in 1970.

Hart, Chairman and Chief Executive Officer of The Bank of Montreal, felt obliged to resign from the Board of The Steel Company of Canada, Limited.

Mr. Hart had been a Director of Stelco since 1959. His interest in and attention to the affairs of the Company were of the highest order. His colleagues on the Board regret that circumstances dictated his resignation and record their appreciation of the services he has rendered to the Company.

The vacancy on the Board has been filled by the election of Mr. J. P. Gordon, Senior Vice-President of the Company.

★ ★ ★

The Board wishes to express its appreciation for the dedication and loyalty of all Stelco personnel who contributed so greatly to the achievements and progress of the Company in the past year. The confidence and support of shareholders, customers and suppliers is also gratefully acknowledged.

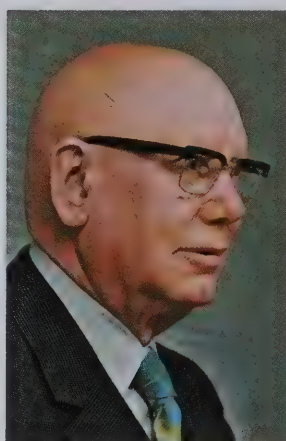
Submitted on behalf of the Board of Directors.

H. M. Griffith

President and Chief Executive Officer

V. W. Scully

Chairman of the Board



H. M. Griffith



V. W. Scully

Toronto, Canada
February 15, 1971

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

	Year 1970	Year 1969
<i>Revenue</i>		
Net sales	\$663,202,000	\$528,037,000
Income from short-term investments	<u>1,974,000</u>	<u>3,448,000</u>
	<u>665,176,000</u>	<u>531,485,000</u>
 <i>Expense</i>		
Cost of sales, exclusive of the following items	527,127,000	439,113,000
Provision for depreciation (Note 5)	37,466,000	33,415,000
Interest on long-term debt	3,777,000	3,034,000
Provision for income taxes — current (Note 6)	38,933,000	23,270,000
— deferred	<u>1,897,000</u>	<u>1,583,000</u>
	<u>609,200,000</u>	<u>500,415,000</u>
 <i>Net Profit for the Year</i>	55,976,000	31,070,000
(Per share: 1970 — \$2.30, 1969 — \$1.28)		
 <i>Retained Earnings</i> at beginning of year	<u>376,355,000</u>	<u>374,486,000</u>
	<u>432,331,000</u>	<u>405,556,000</u>
 <i>Deduct</i>		
Dividends declared (Per share: 1970 — \$1.20, 1969 — \$1.20)	29,202,000	29,201,000
 <i>Retained Earnings</i> at end of year	<u><u>\$403,129,000</u></u>	<u><u>\$376,355,000</u></u>



THE STEEL COMPANY OF CANADA, LIMITED and Subsidiary Companies

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	December 31 1970	December 31 1969
<i>Current Assets</i>		
Cash	\$ 7,914,000	\$ 5,536,000
Short-term investments, at cost (approximates market value)	57,191,000	39,651,000
Accounts receivable	107,821,000	83,956,000
Special refundable tax	—	307,000
Inventories (Note 7)	158,778,000	136,771,000
Prepaid expenses	1,763,000	1,974,000
	<u>333,467,000</u>	<u>268,195,000</u>
Less		
<i>Current Liabilities</i>		
Accounts payable and accrued	86,052,000	59,023,000
Provision for income and other taxes	28,762,000	24,587,000
Dividend payable	7,301,000	7,301,000
Current portion of long-term debt	2,343,000	774,000
	<u>124,458,000</u>	<u>91,685,000</u>
<i>Working Capital</i>	<u>209,009,000</u>	<u>176,510,000</u>
Investments in Associated Companies, at cost (Note 8)	22,234,000	21,108,000
Fixed Assets, less depreciation (Note 9)	564,549,000	514,457,000
Unamortized Debenture Issue Expense	964,000	—
	<u>796,756,000</u>	<u>712,075,000</u>
<i>Total Investment</i>	<u>796,756,000</u>	<u>712,075,000</u>
Less		
Long-term Debt (Note 10)	110,227,000	54,217,000
Provision for Deferred Income Taxes	151,999,000	150,102,000
	<u>\$534,530,000</u>	<u>\$507,756,000</u>
<i>Shareholders' Equity</i>	<u>\$534,530,000</u>	<u>\$507,756,000</u>
Derived from:		
Common Shares — no par value (Note 11)		
Authorized — 35,000,000 shares		
Issued — 24,335,347 shares	\$131,401,000	\$131,401,000
Retained Earnings in use in the business	403,129,000	376,355,000
<i>Shareholders' Equity</i>	<u>\$534,530,000</u>	<u>\$507,756,000</u>

Signed on behalf
of the Board:

 Director

 Director

CONSOLIDATED STATEMENT OF CHANGES IN WORKING CAPITAL

	Year 1970	Year 1969
<i>Additions to Working Capital</i>		
From operations:		
Net profit for the year	\$ 55,976,000	\$ 31,070,000
Non-cash charges for		
depreciation	37,466,000	33,415,000
deferred income taxes	1,897,000	1,583,000
	<u>95,339,000</u>	<u>66,068,000</u>
Proceeds from issue of capital stock	—	94,000
Net proceeds from sale of debentures	59,028,000	—
Sundry items (net)	795,000	342,000
<i>Total Additions</i>	<u>155,162,000</u>	<u>66,504,000</u>
 <i>Deductions from Working Capital</i>		
Expenditures for fixed assets	88,345,000	32,883,000
Investments in associated companies (net)	1,126,000	461,000
Reduction of long-term debt	3,990,000	3,259,000
Dividends declared	29,202,000	29,201,000
<i>Total Deductions</i>	<u>122,663,000</u>	<u>65,804,000</u>
 <i>Increase in Working Capital</i>	 32,499,000	 700,000
Working Capital at beginning of year	176,510,000	175,810,000
Working Capital at end of year	<u>\$209,009,000</u>	<u>\$176,510,000</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, DECEMBER 31, 1970

1. It is estimated that \$166,000,000 will be required to complete approved capital programs.
2. The Company, as a shareholder of Erie Mining Company, is entitled to 10% of Erie's production of iron ore pellets, for which it is committed to pay 10% of Erie's costs, including a minimum annual charge of \$2,000,000 for depreciation to cover the repayment of 10% of Erie's long-term debt.
3. Pension costs charged against income in the year include payments made to trust funds, under the Companies' pension plans, for current and past service requirements as determined by an independent actuary. Past service costs are being funded over periods not exceeding 25 years. The total unfunded past service liability at December 31, 1970 is estimated at approximately \$74,000,000.
4. Accounts originating in foreign currencies have been converted generally at current rates of exchange except for plant and property values which have been converted at rates in effect at the date of acquisition.
5. Depreciation has been provided at rates averaging approximately 5% of the cost of depreciable assets.
6. Income from The Griffith Mine is exempt from income tax for a period of thirty-six months commencing on a date still to be determined by the Department of National Revenue. The provision for income taxes in 1970 was reduced by approximately \$5,000,000 to give effect to this exemption.

7. Inventories

	1970	1969
Raw materials and supplies	\$ 64,907,000	\$ 60,924,000
Finished and semi-finished products	93,871,000	75,847,000
	<u>\$158,778,000</u>	<u>\$136,771,000</u>

Inventories are valued at the lowest of cost, replacement cost and net realizable value. In determining cost, the Company follows the last-in, first-out method for the major portion of the inventories, the balance being determined at average cost.

8. The cost of investments in associated companies amounted to \$22,234,000 at December 31, 1970, at which date the net equity value of the investments, as recorded in the accounts of the associated companies, was \$23,995,000.

9. Fixed Assets

	1970	1969
Raw material properties, at cost	\$ 154,020,000	\$147,425,000
Manufacturing plants and properties, at cost	923,444,000	848,189,000
	<u>1,077,464,000</u>	<u>995,614,000</u>
Less accumulated depreciation	512,915,000	481,157,000
	<u>\$ 564,549,000</u>	<u>\$514,457,000</u>

10. Long-term Debt

	1970	1969
4¼% sinking fund debentures due April 1, 1971 (Sinking fund requirement fulfilled to maturity)	\$ 1,586,000	\$ 1,586,000
5½% sinking fund debentures due April 1, 1983 (Annual sinking fund requirement \$350,000 — 1971 through 1974; \$400,000 — 1975 through 1982: fulfilled to April 1, 1978)	3,292,000	4,487,000
5½% sinking fund debentures due May 1, 1990 (Annual sinking fund requirement \$1,250,000)	47,692,000	48,918,000
9¼% sinking fund debentures due November 1, 1990 (Annual sinking fund requirement \$1,500,000 — 1976 through 1983; \$2,000,000 — 1984 through 1989)	60,000,000	—
	<u>112,570,000</u>	<u>54,991,000</u>
Less current portion included in current liabilities	2,343,000	774,000
	<u>\$110,227,000</u>	<u>\$54,217,000</u>

On September 1, 1970, the interest rate on the sinking fund debentures due May 1, 1990 was increased from 5½% to 5¾% per annum in consideration of the debentureholders' assent to certain amendments to the indenture under which the debentures were issued.

11. In accordance with a Stock Option Policy adopted in 1965, 273,500 common shares are reserved for stock options. At December 31, 1970, options were outstanding in respect of 170,200 shares at prices ranging from \$18.75 to \$25.50 per share, including 99,700 shares under option to officers, the options expiring on various dates between December 1975 and February 1978.
12. Information pursuant to Section 120B of the Canada Corporations Act for the year ended December 31, 1970:

Number of directors	15
Aggregate remuneration as directors	\$76,750
Number of officers	19
Aggregate remuneration as officers	\$1,107,165
Number of officers who are directors	3

AUDITORS' REPORT

Riddell, Stead & Co.

CHARTERED ACCOUNTANTS

P.O. Box 431, Royal Trust Tower, Toronto-Dominion Centre, Toronto 111, Ontario

To The Shareholders

The Steel Company of Canada, Limited

We have examined the consolidated statement of financial position of The Steel Company of Canada, Limited and its subsidiary companies at December 31, 1970 and the consolidated statements of income and retained earnings and changes in working capital for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies at December 31, 1970 and the results of their operations and the changes in their working capital for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

February 11, 1971

Riddell, Stead & Co.

TEN YEAR STATISTICAL SUMMARY

Dollars in thousands except as indicated*

	1970	1969 ⁽¹⁾	1968
<i>OPERATIONS</i> (thousands of net tons)			
Raw steel produced	4,801	3,670	4,485
Steel processed ⁽²⁾	4,955	4,076	4,591
<i>INCOME AND RELATED DATA</i>			
Sales	\$663,202	528,037	589,613
Depreciation	\$ 37,466	33,415	37,111
Income taxes	\$ 40,830	24,853	37,455
Net profit	\$ 55,976	31,070	67,971
Per share ^{(3)*}	\$2.30	1.28	2.79
Per cent of sales	8.4%	5.9	11.5
Per cent of shareholders' equity	10.7%	6.1	14.1
Dividends (including extra distributions)	\$ 29,202	29,201	24,329
Per share ^{(3)*}	\$1.20	1.20	1.00
<i>CAPITAL EXPENDITURES</i>	\$ 89,471	33,344	33,498
<i>FINANCIAL POSITION, YEAR END</i>			
Working capital	\$209,009	176,510	175,810
Fixed assets — net	\$564,549	514,457	515,331
Shareholders' equity	\$534,530	507,756	505,794
<i>EMPLOYMENT</i>			
Average number of employees	21,497	21,792	21,584
Total employment costs	\$221,216	176,223	186,948
Employees' average weekly earnings*	\$173.46	156.38	146.52
<i>NUMBER OF SHAREHOLDERS, YEAR END</i>	49,985	51,730	52,520

⁽¹⁾ 1969 operations interrupted by strike — 80 days.

⁽²⁾ Includes steel purchased and steel received from customers for conversion.

⁽³⁾ Adjusted for subdivision of shares in 1962.

1967	1966	1965	1964	1963	1962	1961
3,966	3,794	3,846	3,479	3,110	2,779	2,445
4,087	4,086	4,137	3,884	3,122	2,768	2,428
512,386	504,763	516,406	477,823	370,989	332,205	288,356
33,058	29,500	27,594	26,003	24,081	22,631	18,922
24,357	33,051	38,808	33,791	31,680	26,350	22,287
46,733	42,744	43,454	43,630	37,095	30,299	27,378
1.94	1.77	1.80	1.91	1.82	1.50	1.43
9.1	8.5	8.4	9.1	10.0	9.1	9.5
10.5	10.1	10.9	12.0	11.8	10.2	10.3
20,518	20,518	20,518	19,752	15,723	12,653	11,712
.85	.85	.85	.85	.77½	.62½	.60
89,212	99,542	75,540	109,306	52,236	67,036	38,754
123,861	138,560	180,355	122,695	125,348	118,681	134,895
519,817	464,313	396,291	350,863	234,035	206,530	165,759
458,943	432,728	410,503	388,578	326,437	302,721	290,256
20,556	20,360	20,262	18,584	16,599	15,692	14,432
169,219	151,708	143,179	123,864	107,386	98,464	87,942
138.65	130.98	125.13	121.33	117.00	114.71	111.47
53,340	53,017	46,597	40,973	30,297	25,746	18,259

A SELECTION OF PREFINISHED STEEL PRODUCTS



PRINCIPAL PRODUCTS

PLATE

Up to 140" in width.

HOT ROLLED AND COLD ROLLED SHEET

Coils, cut lengths, slit.

CONTINUOUS GALVANIZED SHEET

Coils, cut lengths, slit; regular, wiped and culvert coatings.

PREFINISHED SHEET — "STELCOLOUR"

Coils, cut lengths, slit; colours, textures.

ELECTROLYTIC TIN PLATE AND TIN MILL BLACK PLATE

Sheets and coils.

HOT ROLLED AND COLD FINISHED BARS

Alloy, carbon, leaded; in standard and special sections.

CONSTRUCTION MATERIALS

Reinforcing bars, welded wire fabric, prestressed concrete wire and strand.

WIRE RODS

FASTENERS AND FORGINGS

Bolt and screw products, standard and special, track fasteners and pole line hardware. Standard and custom forgings in light and medium weights.

PIPE AND TUBING

Continuousweld steel pipe, electric-resistance welded steel pipe, submerged arc welded steel pipe, electricweld mechanical and pressure steel tubing, hot and cold formed hollow structural sections, oil country tubular products, piling pipe, waterworks pipe, hot finished and cold drawn seamless steel pipe and tubing, nipples and couplings.

MANUFACTURERS' WIRE

Wire and strand, in a full range of sizes, grades, finishes, coil weights and cut lengths.

MERCHANT WIRE PRODUCTS

Nails, fencing and barbed wire.

FENCE

Industrial, institutional and residential.

SPECIAL PRODUCTS

Grinding balls, grinding rods, sucker rods and grader blades.

CHEMICALS, ETC.

Coal tar, ammonium sulphate, lime and limestone.

OFFICES

HEAD OFFICE

P.O. Box 205, Toronto-Dominion Centre,
Toronto 111, Ontario

GENERAL OFFICES

Hamilton, Ontario
Montreal, Quebec — Eastern Region
Edmonton, Alberta — Western Region

SALES OFFICES

Hamilton, Ontario
Montreal, Quebec
Calgary, Alberta
Edmonton, Alberta
Halifax, Nova Scotia
Quebec, Quebec
Regina, Saskatchewan
Saint John, New Brunswick
St. John's, Newfoundland
Toronto, Ontario
Vancouver, British Columbia
Windsor, Ontario
Winnipeg, Manitoba

PLANTS

ONTARIO

Hamilton — Hilton Works
— Canada Works
— Parkdale Works
— Frost Works
— Canadian Drawn Works
Brantford — Brantford Works
Toronto — Swansea Works
Gananoque — Gananoque Works
Welland — Page-Hersey Works
— Welland Tube Works

QUEBEC

Montreal — Notre Dame Works
— St. Henry Works
Lachine — Dominion Works
Contrecoeur — McMaster Works

ALBERTA

Edmonton — Stelco Edmonton, Steel Works
— Stelco Edmonton, Finishing Works
Camrose — Camrose Works

SASKATCHEWAN

Regina — Saskatchewan Steel Fabricators Ltd.

SUBSIDIARIES, RAW MATERIAL PROPERTIES AND ASSOCIATED COMPANIES

SUBSIDIARY COMPANIES

WHOLLY OWNED

(Consolidated in Financial Statements)

Saskatchewan Steel Fabricators Ltd., Regina, Sask.
Frost Steel and Wire Company, Limited, Hamilton, Ont.
Frost Steel and Wire Company Quebec, Limited,
Montreal, Que.
Stelco Coal Company, Pittsburgh, Pa.
Pikeville Coal Co., Louisville, Ky.
Stelco Nederland N.V., Amsterdam, The Netherlands
Stelco S.A., Geneva, Switzerland
The Steel Company of Canada (U.K.), Limited,
London, England

RAW MATERIAL PROPERTIES

*(Ownership interest consolidated in
Financial Statements)*

	% Owned
The Hilton Mines, Que. (Iron ore)	50.0
Wabush Mines, Nfld. and Que. (Iron ore)	25.6
The Griffith Mine, Ont. (Iron ore)	100.0
Chisholm Mine, Ky. (Coal)	100.0
Chemical Lime Works, Ont. (Limestone)	100.0

ASSOCIATED COMPANIES

*(Included in Investments in Associated
Companies in Financial Statements)*

	% Owned
Baycoat Limited, Ont.	50.0
Arnaud Railway Company, Que.	25.6
Knoll Lake Minerals Limited, Nfld.	14.8
Wabush Lake Railway Company, Limited, Nfld. ..	25.6
Northern Airport Limited, Nfld.	12.8
Northern Land Company Limited, Nfld.	12.8
Twin Falls Power Corporation, Limited, Nfld.	4.4
The Balkan Mining Company, Minn.	33.3
Erie Mining Company, Minn.	10.0
Ontario Iron Company, Minn.	10.0
Mathies Coal Company, Pa.	13.3
Olga Coal Company, W. Va.	10.0

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